

State of Alaska FY2006 Governor's Operating Budget

Department of Administration Purchasing Component Budget Summary

Component: Purchasing

Contribution to Department's Mission

To assist state agencies and political subdivisions to achieve their public mission and reduce costs by providing professional procurement services.

Core Services

Establish cost-effective multi-agency term contracts for high use supplies and services needed by all agencies.

- Provide training to client agencies on the application of the State Procurement Code (AS 36.30, 2 AAC 12) and the Alaska Administrative Manual.
- Provide consultation to client agencies to assist them in their procurement of supplies, services and professional services.
- Participate in and facilitate cooperative purchases with qualified public procurement units to increase buying power and leverage limited resources.
- Provide guidance and leadership in procurement by supplying procurement information, policy manuals, standard documents and forms, automated procurement tools and other necessary information.

End Results	Strategies to Achieve Results
<p>A: Improved cost effectiveness of state procurement.</p> <p><u>Target #1:</u> 100% of new contracts entered into produce a minimum of 5% savings from prior rates.</p> <p><u>Measure #1:</u> Percent of change in cost of goods and services.</p>	<p>A1: Establish consolidated contracts for statewide use.</p> <p><u>Target #1:</u> Establish new statewide contracts or purchasing agreements.</p> <p><u>Measure #1:</u> Number of new consolidated contracts or purchasing agreements.</p> <p>A2: Training and certification of state agency procurement personnel.</p> <p><u>Target #1:</u> Maintain 20 annual procurement training courses.</p> <p><u>Measure #1:</u> Annual number of training sessions, personnel certified and re-certified.</p>

Major Activities to Advance Strategies

- Procurement and expenditure analysis to determine which new contracts should be established.
- Issue solicitations or enter into cooperative agreements to obtain cost effective contracts.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$1,025,600	Personnel:	
	Full time	14
	Part time	0
	Total	14

Performance Measure Detail

A: Result - Improved cost effectiveness of state procurement.

Target #1: 100% of new contracts entered into produce a minimum of 5% savings from prior rates.

Measure #1: Percent of change in cost of goods and services.

Analysis of results and challenges: .

07/01/03–12/31/03: One contract (for aviation fuel) alone is producing approximate savings of 6.79% over FY03 cost.

New minimum cost percentages for RFPs, established May 03' generate estimated annual savings of 6.43 %. However, a more conservative estimate of 2% savings was reported to OMB.

Permissive Price Agreements (discount structures) with certain in-state vendors were established in October 03' for purchases of \$5,000 or less. The State entered into nine agreements with saving ranging from 10% to 80% off retail pricing.

01/01/04–03/31/04: DGS awarded one aviation fuel contract at Bethel which is producing approximate savings of 10.39% over FY03 costs.

DGS outsourced the procurement and warehouse functions at the Department of Transportation, Southeast Region. The comparison of state employee costs to the contract rates, including a one-time implementation fee will result in savings of 22% over the two-year pilot term

Seven mandatory duplication services contracts were established in Juneau, Anchorage, and Fairbanks for duplicating jobs of 50,000 impressions and less. These contracts provide average savings of 30% below the contractors' standard pricing.

The Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP) established two hospital and laboratory supplies contracts for use by member states, including Alaska. The contracts provide savings of 5% - 35% off a wide variety of frequently used supplies, with an average discount of 25% below retail.

DGS' copier acquisition policy has resulted in an approximate 27% decrease in the dollar value of state copiers purchased or leased since implementation of the policy in October 03'.

DGS awarded six office move contracts at Juneau, Anchorage, Fairbanks, Eagle River, Palmer and Wasilla. These contracts provide average savings of 35% below the contractors' standard pricing.

04/01/04–06/30/04: Re-bid of the archival services and storage contract in Anchorage resulted in savings of 2.7% over the previous contract.

07/01/04-09/30/04: Re-bid of the fax machine contracts resulted in estimated savings of 25% over previous contract pricing due to a reduction of models offered.

Negotiations with Symantec resulted in an approximately 55% reduction in the state's pricing level. Symantec

sells a host of products, including Symantec Antivirus which is the state software standard for desktop and server protection.

A1: Strategy - Establish consolidated contracts for statewide use.

Target #1: Establish new statewide contracts or purchasing agreements.

Measure #1: Number of new consolidated contracts or purchasing agreements.

Analysis of results and challenges:

07/01/03–12/31/03: Five multi-department contracts have been awarded during first half of FY04; aviation fuel, marine vessel fuel, land fuel, copier contracts, groceries. One was a new statewide contract. Nine permissive price agreements were also awarded.

01/01/04–03/31/04: Fifteen multi-department contracts have been awarded during this period; aviation fuel, procurement and warehouse outsourcing, duplication services, office moves. DGS will participate in two multi-state cooperative contracts for hospital and laboratory supplies.

04/01/04–06/30/04: One multi-department contract was awarded for archival services and storage in Anchorage.

07/01/04–09/30/04: None awarded during this reporting period.

A2: Strategy - Training and certification of state agency procurement personnel.

Target #1: Maintain 20 annual procurement training courses.

Measure #1: Annual number of training sessions, personnel certified and re-certified.

Analysis of results and challenges:

07/01/03–12/31/03: Twenty training courses scheduled for FY04. Ten courses completed July – December 2003. Between July – December 2003, 122 state employees have received procurement certification. All certificates processed within 10 days of certification.

01/01/04–03/31/04: Seven courses completed January – April 2004. Attendance was 224 with 51 state employees receiving procurement certification. All certificates processed within 10 days of certification.

04/01/04–06/30/04: Five courses completed April – June 2004. Attendance was 159 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

07/01/04–09/30/04: Four courses completed in July - September 2004. Attendance was 120 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

Key Component Challenges

Increase the current level of services while utilizing the same staff resources to:

- Automate systems and procurement methods using the Internet to foster improved efficiency for state agencies, improved access for Alaska Vendors to state business, and enhanced reporting on state purchasing activities;
- Improve the statewide procurement officer certification and training program;
- Maintain and enhance the Web-based system to track state procurement officer certifications, training records, and delegations of purchasing authority;
- Increase the number of statewide term contracts available for all state agencies and political subdivisions;
- Implement and administer the procurement outsourcing pilot project.

Significant Changes in Results to be Delivered in FY2006

Identify and implement new procurement cost savings, cost avoidance and efficiency measures.

Major Component Accomplishments in 2004

- Continued successful operation of the statewide procurement officer training/certification program, database and web site.
- Presented 23 procurement training courses to 773 attendees.
- Successfully out-sourced the procurement and warehouse functions at the Department of Transportation, Southeast Region.

- Joined two Minnesota multi-state cooperative contracts for hospital and laboratories supplies and intend to join the state of Colorado's multi-state cooperative agreement for bullet resistant vests during the last quarter of 2004.
- Awarded six office move contracts at Juneau, Anchorage, Fairbanks, Eagle River, Palmer and Wasilla.
- Re-bid the archival services and storage contract in Anchorage.
- Awarded nineteen multi-department contracts for duplication services, aviation fuel, fax machines, groceries and bakery goods.
- Administered various statewide contracts covering supplies and services such as microcomputers, software, express package delivery services, industrial supplies, office supplies, fax machines, heating fuel, bakery goods, groceries, meats, car rental, copiers, laboratory equipment, supplies and pharmaceuticals, which resulted in significant savings to the state.
- Provided consultative services to all departments - reviewed advanced level procurement work and provided direction regarding complex solicitations, requests for alternate procurement, protests, appeals, violations and unique procurement situations.
- Successfully defended two contract claims involving the Juneau archives contract and prevailed on a contract claim involving non-existent shipping charges for computers.
- Intend to award multi-department contracts during the last quarter of 2004 for office supplies, state travel office, express package delivery, data entry, multi-media projectors and refuse collection.
- Issued policy directives to all departments regarding duplication services, office moves supplies and services, brand specific determinations and standards, and foreign outsourcing in state contracts for services.

Statutory and Regulatory Authority

AS 36.30	State Procurement Code
AS 44.21.020(1),(4)	Duties of the Department
AS 44.99.200-240	State Publications
CHAPTER 51 SLA 03	Procurement Pilot Project
2 AAC 12	Procurement
2 AAC 15	Purchasing

Contact Information

Contact: Vern Jones, Chief Procurement Officer
Phone: (907) 465-5684
Fax: (907) 465-2198
E-mail: vern_jones@admin.state.ak.us

Purchasing Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	803.7	855.3	884.9
72000 Travel	19.3	4.4	4.4
73000 Services	111.4	120.8	121.7
74000 Commodities	24.4	14.6	14.6
75000 Capital Outlay	11.3	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	970.1	995.1	1,025.6
Funding Sources:			
1004 General Fund Receipts	918.2	995.1	1,025.6
1007 Inter-Agency Receipts	51.9	0.0	0.0
Funding Totals	970.1	995.1	1,025.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Manageme nt Plan	FY2006 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Interagency Receipts	51015	51.9	0.0	0.0
Restricted Total		51.9	0.0	0.0
Total Estimated Revenues		51.9	0.0	0.0

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	995.1	0.0	0.0	995.1
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	6.1	0.0	0.0	6.1
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	23.5	0.0	0.0	23.5
Proposed budget increases:				
-Benefit and Wage Cost Increases	0.9	0.0	0.0	0.9
FY2006 Governor	1,025.6	0.0	0.0	1,025.6

**Purchasing
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	14	14	Annual Salaries	625,464
Part-time	0	0	COLA	8,318
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	320,479
			<i>Less 3.99% Vacancy Factor</i>	(38,061)
			Lump Sum Premium Pay	0
Totals	14	14	Total Personal Services	916,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Administrative Manager IV	0	0	1	0	1
Administrative Svcs Mgr II	0	0	1	0	1
Chief Procurement Off	0	0	1	0	1
Contracting Officer III	0	0	5	0	5
Contracting Officer IV	0	0	1	0	1
Publications Tech II	0	0	1	0	1
Totals	0	0	14	0	14